

Direct Loans

William D. Ford Federal Direct Loan Program

CONSOLIDATION AFTER GRADUATION

The Federal Direct Consolidation Loan Program enables borrowers to combine various types of federal education loans, to extend the period of repayment, to obtain a lower interest rate in some cases, and to simplify repayment by eliminating the need to deal with multiple lenders.

The Basics

Borrowers must consolidate at least one Direct Loan or Federal Family Education Loan (FFEL) in a Direct Consolidation Loan. They may also include other student loans, such as Federal Perkins Loans and Title VII Health Professions Student Loans.

Borrowers who do not have a Direct Loan may consolidate an FFEL under the Direct Consolidation Loan Program only if they are unable to obtain a Federal Consolidation Loan or if they are eligible for the Income Contingent Repayment Plan under the Direct Loan Program and are unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms acceptable to them.

Loans that are made by a state or private lender and are not guaranteed by the federal government cannot be consolidated.

Borrowers are not required to combine all of their federal education loans. The interest rate on some loans may be lower than that offered through a Direct Consolidation Loan. The interest rate on Direct Consolidation Loans is variable with an 8.25 percent cap for student loans.

The Advantages

There is no minimum or maximum consolidation amount. And there is no consolidation fee.

Borrowers send one payment to one place. They make only one request to update their address or to apply for a deferment.

Varied deferment options are available on a Direct Consolidation Loan. Borrowers may be eligible for additional deferment options if they include an FFEL borrowed before July 1, 1993, in the consolidation loan.

Four repayment plans are available, including Income Contingent Repayment in which monthly payments reflect a borrower's ability to pay.

Answers to Common Questions

Can borrowers consolidate a loan that is in deferment? Yes, but they will need to reapply for the deferment once the loan has been consolidated.

Can borrowers consolidate loans while in their grace period? Yes, but they should be encouraged to wait until the last month of grace. Unless one of the loans a borrower is consolidating is in an "in-school" period, payments on a Direct Consolidation Loan begin within 60 days of the first disbursement.

The Loan Origination Center will be glad to answer any other questions. Please call: 1-800-848-0979 (after cutover, 1-800-557-7392).

Or write: Loan Origination Center
P.O. Box 4272
Montgomery, AL 36104